United Nations DP/CCF/RUS/2

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
17 November 2000

Original: English

First regular session 2001
29 January-6 February 2001, New York
Item 3 of the provisional agenda
Country cooperation frameworks and related matters

Second country cooperation framework for the Russian Federation (2001-2003)

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00-75454 (E) 121200

Introduction

1. This second country cooperation framework (CCF) for the Russian Federation covers 2001-2003 and will be harmonized with those of the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF). It is based on the policies, priorities and development strategies of the Government and the findings of the country programme review and the results-oriented annual report (ROAR) for the previous CCF. It focuses on programmes and thematic areas which are either already demonstrated or which hold out future potential for significant results and which address issues where UNDP has a clear comparative advantage in the Russian Federation context. The first United Nations common country assessment (CCA) will be ready by the beginning of the new CCF and will serve both as an important joint advocacy tool for United Nations system activities and as a basis for preparing the United Nations Development Assistance Framework (UNDAF).

I. Development situation from a sustainable human development perspective

2. Russia is a highly industrialized country, with a sophisticated human-resource, scientific and technological base. It is also the largest country in the world, whose regional disparities, in terms of socio-economic development, are considerable. The inequality among the country's regions is reflected in the human development index (HDI), a composite index developed by UNDP ranging from 0 to 1 and based on per capita income, life expectancy and literacy. The HDI of Moscow is 0.800, while in Tuva, it is 0.603. With a HDI of 0.862 in 1990, Russia ranked 37 out of a total of 173 countries, according to the *Human Development Report, 1993*. In 1998, however, with a HDI of 0.771, Russia dropped to a ranking of 62 out of 174 countries, according to the *Human Development Report, 2000*. Another important consideration is the financial crisis of August 1998, which aggravated the still fragile transition process to a democratic society and market economy and substantially decreased the living standards of the Russian population. The subsequent devaluation of the rouble led to a rise in import substitution, which, coupled with an increase in the world price for oil and a higher output of oil and partial restructuring of the banking sector, brought about economic growth for 1999 at 3.2 per cent. The sustainability of these factors, however, is limited.

3. The aim of the Government for 2001-2003 is economic and social upgrading. The economic programme is to raise the efficiency of the tax and customs systems, restructure natural monopolies and improve the investment and business climate. The aim of the programme is also to create favourable conditions for the development of the financial infrastructure to achieve medium-term financial stability and to promote greater budget efficiency. This will ensure a sustainable rate of economic growth, based on internally driven competition and positive economic structural changes, and will further promote the integration of Russia into the world economy. With regard to social issues, the Government expects to reduce subsidies to manufacturers and thereby use the limited funds to target the neediest. Efforts will also be directed at achieving the financial stability of the pension system, promoting easier access to quality health services and creating a more efficient labour market. This CCF is therefore based on the new direction that the Government is taking to facilitate the ongoing social and economic transition.

Governance

4. The roots of democratic governance in the Russian Federation are gradually growing deeper. The capacity to bring about reforms, however, still needs to be developed and strengthened. The transparency, efficiency and integrity of public administration and public-sector resource management are increasingly being called into question and the quality of public services has been declining. Many of the institutions set up to underpin the country's emerging-market economy are not yet working as effectively as intended; the capacity of the banking sector remains low; courts still do not reliably uphold the rights of creditors and minority investors. The rise in informal economic activity further reflects the need for stronger institutional capacity.

Sustainable livelihoods

5. Immediately following the August 1998 crisis, the share of the population belonging to the poor category grew from 37 to 48 per cent, further widening

income inequality in Russia, according to the national human development report (NHDR) 1999. This data is based on a disposable resources approach, which has been deemed more reliable and accurate than the adjusted incomes approach. Nonetheless, this level remains higher than the pre-crisis level. Further analysis shows an unequal distribution of poverty among the different regions and between rural and urban areas. Finally, in several regions, wage indexing lags behind the continually rising subsistence level to such an extent that poverty is not necessarily limited to those without jobs.

6. During the first half of 1998, unemployment figures were fairly stable, accounting for 11.3 per cent of the economically active population. However, from August to December of 1998, this figure grew to 11.8 per cent, eventually reaching 14 per cent by April 1999, according to the NHDR 1999 (using ILO methodology).

7. Russia is also experiencing demographic change, which will have wide-ranging consequences for the sustainability of human development. Beginning in 1992, a drop in the number of births coupled with an increase in the number of deaths has led to a fall in the population by 2.8 million, according to the NHDR 1999. With regard to health issues, instances of infection from tuberculosis have more than doubled since 1991, and the number of people in Russia infected with the HIV/AIDS virus is growing at an alarming rate.

8. Despite transition difficulties, the education system has managed to maintain its viability. The number of students enrolled in higher education institutions has risen, as has the number of higher education institutions. The drop in the gross domestic product (GDP) over the past decade, however, has ultimately brought about reduced government spending on education.

Environment

9. Russia has carried out major environmental policy reforms during the transition period. A series of new federal environmental laws and policy initiatives have been developed, including the use of new economic instruments, the decentralizing of policy implementation and the expansion of public awareness and participation. The economy is now entering a new expansion phase that will introduce new pressures on the environment. The major challenges in the future lie in the implementation and enforcement of existing and new legislation and policies, the provision of adequate institutional and financial frameworks for effective pollution abatement, investments in energy efficiency and protection of biodiversity and habitats and the development of capacity to comply with international environmental agreements.

Gender

10. The feminization of poverty is becoming a growing concern in Russia, where the incomes of nearly one third of women are below the subsistence level, as noted in the 1999 national report on the implementation of the Beijing Platform for Action. Furthermore, wage differentials between men and women have increased substantially over the past decade, even though a greater number of women have higher education than men. The number of women in the duma, the lower chamber of parliament, fell from 13.6 per cent in 1993 to 7.2 per cent in 1999, as noted in National Mechanisms for the Improvement of Women's Situation in Russia, from the forty-third session of the United Nations Committee on the situation of women in New York, March 1999. Furthermore, while women comprise 56 per cent of the total number of civil servants, only 0.3 per cent of the women in government service occupy senior level positions.[1] Out of 90,000 registered non-governmental organizations (NGOs), however, about 15,000 are women's NGOs, illustrating women's increasing voice in their communities.[2]

Preventive development

11. Activities currently undertaken by a number of United Nations agencies to provide humanitarian assistance to the peoples of the North Caucasus significantly complement the relief efforts of the Government. They help to alleviate the difficulties, faced by the civilian population and the forced migrants, as a result of the political, social and economic destabilization in this region. With the relaxing of the humanitarian situation, longer-term objectives of social and economic rehabilitation and development of the region are coming to the forefront.

[1] Goskomstat 1998, Women and Men in Russia.

[2] UNDP in Russia: Gender Approach, 2000.

II. Results and lessons of past cooperation

12. Between 1997 and 2000 when the country office was first opened, target for resource assignment from the core (TRAC) resources were extremely limited. At the same time, the need for UNDP services was growing. To meet this challenge, UNDP had to become more innovative in its resource-mobilization efforts, which were consequently directed at and succeeded in establishing cost-sharing arrangements with a wide range of partners. The highlight of UNDP efforts in Russia is the formation of unique public/private partnerships. UNDP is nevertheless increasingly sought out as a development partner, not so much because of the resources it is able to mobilize, but because of the reliable and effective mechanisms it provides.

13. UNDP strategy combined upstream policy support, mostly to the Government, with more downstream interventions, working with municipal, regional and other local authorities, supported by the five regional offices. As noted in the country review report of March 2000, decentralization contributed significantly to developing UNDP credibility as an effective development partner throughout the Russian Federation.

14. Significant progress was made towards promoting the UNDP human development concept, strategy and methodology through the publication and distribution of the national human development report (NHDR) and the creation of a Master's degree in human development at several universities. Several projects promoting human rights have received praise for their success and innovation and are now being replicated in other regions and countries. The country review also pointed to commendable results achieved in follow-ups to various United Nations global conferences (particularly the United Nations Conference on Environment and Development (UNCED), the International Conference on Population and Development (ICPD) and the Fourth World Conference on Women), in mainstreaming gender issues and in promoting the advancement of women by direct intervention. In view of the results achieved, it was recommended in the country review that full responsibility for the coordination of development activities within the United Nations system (UNDG) be delegated to the Resident Representative. It was nevertheless noted that the strategic results framework (SRF) could be further improved and that better links should be established between the ROAR, the SRF, the office work plan and independent power producers (IPPs). The office would also gain in having a more systematic yearly training plan. Efforts have been made to prevent duplication among development partners; UNDP has signed memoranda of understanding with several partners: the Government, NGOs, the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO) and the World Bank. The real problem, however, lies in the existing gaps in coverage and not in the risk of duplication.

15. The pertinence of the results obtained in the first CCF was pointed out in the country review. It was recommended that UNDP should continue its strategy of outreach to the regions, development of strategic partnerships and resource mobilization. It was also noted that the scope of UNDP future assistance should focus more intensely on achieving objectives. There should be fewer projects but with greater links between them. The country review supports the need to form public/private partnerships, recognizing that this strategy should include systematic and strengthened screening mechanisms, particularly when considering private-sector funding proposals. The aim of such projects should be consistent with government development priorities and the sustainable human development (SHD) mandate of UNDP. Core resources available to UNDP are extremely limited for such a complex environment. Relying on cost-sharing sources for project financing is becoming standard practice so much so that partnerships with Russian counterparts will ultimately become the primary mode of financing UNDP projects in Russia. In view of this and given the trust that UNDP inspires and its excellent reputation in Russia, UNDP has a unique role to play as confidence builder in development partnerships. A further recommendation of the country review is that the Government and UNDP consider developing at least one comprehensive integrated programme at the sub-federal level in the next CCF.

III. Objectives, programme areas and expected results

16. In light of the current development situation in Russia, Government priorities and objectives and the UNDP mandate for assistance, the aim of development

cooperation will be to contribute to the country's efforts to attain a higher level of human development. Given its comparative advantage, UNDP will provide policy advice and technical support, especially for the formulation of legislation, by allocating core resources to such initiatives and by strengthening its partnerships with the Government, NGOs and the corporate sector to leverage more resources for downstream projects and programmes.

17. UNDP will develop a few integrated development programmes that will require the backing of regional support centres. UNDP-supported activities at the national level, particularly in HIV/AIDS and governance, will be coordinated with those of the Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) regional programme. UNDP will endeavour to support the country's integration into the global economy by linking its citizens from across its vast territory, especially those in remote regions and those belonging to vulnerable groups, to the global information network. Gender issues will be mainstreamed throughout UNDP activities. The gender programme will perform mainly advisory/expert functions, completing technical interventions only on a pilot basis. The media will also be utilized, not only as a mechanism to disseminate UNDP work throughout Russia and increase awareness of UNDP activities, but also to promote transparency.

18. UNDP is therefore requested to cooperate with the Government in the following areas.

A. Governance for human development

19. This concentration area focuses on upstream capacity-building and policy-advice activities whose objective is to bring a substantive contribution to the formation of human capabilities. It is through the bolstering and support of the country's government institutions, and their reform, that UNDP expects to develop human capabilities and improve the standard of living of Russian citizens.

Integration of the human development programme

20. UNDP will continue to promote human development by publishing and disseminating the annual NHDR, ensuring that relevant gender issues and statistics are fully reflected; by continuing to offer Master's degrees in human development; and by promoting environmental education. To further this objective, UNDP will help to create online Master's degree courses at the Moscow State Institute of International Relations in cooperation with relevant foreign universities. This will lead to the creation of a training centre on human development in close cooperation with RBEC. These efforts will help to further integrate human development into the socio-economic and political strategies of the Government at federal and regional levels. UNDP also aims to increase citizens' awareness of their right to a decent and dignified standard of living. Success in this area will be measured by an increased utilization of UNDP analysis and recommendations by relevant national authorities and institutions.

Human rights promotion and citizens' participation programmes

21. The role of UNDP in promoting human rights is strategic, developing projects with national authorities in close cooperation with interested international organizations and NGOs. Policy advice, technical assistance and targeted training programmes aimed at promoting human rights, civil society and democracy will be further developed. Initiatives include the further elaboration of the concept of human rights in the Government, the development of the Moscow Social Partnership Centre and women's resource centres and the establishment of ombudsman's offices at leading universities. Special emphasis will be placed on advancing gender equality and NGOs dealing with preventive development so that they will familiarize themselves with successful international experiences in this area. In close cooperation with the Open Society, the World Bank Institute (WBI) and other interested parties, UNDP will develop pilot projects, using information technology to link remote and vulnerable regions and to encourage interactive citizen participation in the world economy, society and culture. Expected results include the increased role of civil society and greater citizen participation, stronger mechanisms for human rights protection and promotion and improved capacities of NGOs and community-based organizations (CBOs). Success will be measured by the replication of these initiatives by the number of persons reached.

Assistance to the programme for legislation formulation

22. UNDP will help the Government to improve legislation regulating the social and economic sphere, especially with regard to the laundering of illegal incomes, taxation and preparations for reforming the utilities and housing sector of the economy. UNDP will also assist the Government in harmonizing federal and regional legislation and in determining its regional policy to strengthen local governments in the context of human development. In close collaboration with United Nations agencies and international financial institutions (IFIs), UNDP will help the Government to develop legislation in priority areas, such as how to promote investment and implement public administration reform. In cooperation with Bratislava Regional Support Centre, the Open Society and WBI, UNDP will develop pilot projects with the Russian Academy of Science and other experts to mainstream gender in socio-economic policy. UNDP will support the initiative of the duma in formulating the federal law on equal rights and equal opportunities for men and women aimed at overcoming gender imbalances and eliminating gender discrimination. Support will also be given to higher-education institutions in strengthening their capacities in financial management and administration. UNDP will work closely with the recently created Inter-Ministerial Commission on International Technical Assistance (IMCITA), as a legal and institutional framework for tracking and certifying the multitude of external assistance projects in the country. UNDP has been asked to develop the capacity of IMCITA to help the Government attract foreign investment, to monitor human-development aid and to measure the impact of such assistance on targeted beneficiaries. These activities will result in an improved environment for socio-economic development, particularly by creating favourable conditions for investment growth, by developing trade and economic cooperation and by improving management capacities at the federal and regional level. Success will be measured by the rise in the number of businesses and the heightened and more efficient use of technical assistance for human-development activities.

The Integrated Preventive Development Programme in the North Caucasus

23. UNDP, in collaboration with relevant ministries, will provide assistance to facilitate rehabilitation and reconstruction activities in the North Caucasus. It will focus on strengthening the capacities of local administrations and federal ministries to implement sustainable-development strategies, employment generation and regular analysis of the region's social-economic situation. The collaboration will also ensure that post-crisis development activities fully embrace both the specific needs of women and other vulnerable groups in special development situations and their contributions to the reconstruction process. The expected result will be strengthened governance under emergency and special situations, improved living conditions of the population of affected regions and an increased role for preventive development and tolerance-building mechanisms. Success in this area will be measured by an increase in the number of qualified specialists in government institutions and NGOs, which will result in a more effective management of state resources and international aid and a rise in the number of job openings and businesses created locally.

B. Sustainable growth for human development

24. This concentration area focuses primarily on downstream activities and includes making economic development compatible with environmental conservation. UNDP aims to provide people with opportunities to improve their lives by raising their capacities for employment; increasing access to modern technologies for productive purposes, while increasing the use of environmentally sustainable development practices; and protecting globally significant biodiversity.

Employment programme

25. UNDP, in cooperation with the International Labour Organization (ILO) and other international agencies, will continue to play an important role in employment generation through training and retraining of personnel. These efforts will especially help vulnerable groups of the population (women, the handicapped, military personnel and inhabitants of former closed cities), to meet the realities of the labour

market. UNDP will also further develop national technical capacities, which will facilitate the absorption of international expertise. UNDP will continue to support microcredit programmes for vulnerable groups of the population. The expected result will be the expansion of employment opportunities for both men and women, which will be measured by the number of jobs created and the number of persons trained and retrained upon completion.

Clean and emerging technologies programme

26. UNDP, with the Ministry of Economic Development and Trade, will support initiatives to improve the environment, in an economic context, by promoting the introduction of environmentally friendly and energy-efficient technologies in the country's fuel and energy sector and other energy intensive industries (transport, chemical, metallurgical, etc.). The Global Environmental Facility (GEF) and other UNDP environment programmes will address climate change-mitigation and the abatement of greenhouse gas emissions as priority areas. This will include strengthening capacities and developing mechanisms for international cooperation, such as joint implementation mechanisms and emissions trading prospects. Urban waste-water management, water purification and waste-management issues will be solved through a more rational utilization of natural resources, cleaner production and energy-efficient technologies. The expected results include decreased greenhouse gas emissions, an improvement in water quality, and an increase in the number of enterprises applying environmentally clean and efficient technologies supported by UNDP projects, as well as the dissemination of these technologies. This will contribute to easing pressures on the labour market by creating jobs for highly qualified workers while improving the state of health of employees and of the surrounding environment. Success will be measured by an improvement in the environmental conditions in relevant regions and an increase in revenues and taxes paid to the Government for those industries supported by UNDP projects. Success will also be reflected in the number of new Russian patented technologies employed in these industries.

Promotion of the programme for environmental management capacities

27. UNDP/GEF and other environment programmes will continue projects begun in the previous CCF in the field of biodiversity protection in priority areas, including selected Taiga and Tundra, Steppe and Coastal and Marine ecoregions. The models developed by ongoing UNDP programmes in Kamchatka, Altai-Sayan, Taimyr Peninsula and the Lower Volga will be replicated in other nationally prioritized regions. These initiatives, along with others under development, will enhance capacities by strengthening environmental management, natural-resource management and landscape management. They will contribute to the development of sustainable, participatory, environmental-management regimes, bolster and improve federal and regional environmental-management legislation and strengthen enforcement capacities. The development of advocacy and education programmes and the creation of alternative livelihood initiatives, especially for indigenous peoples, will contribute to this process.

28. UNDP/GEF will also support the capacity-building role of the Government, private sector and civil society to sustainably manage biodiversity and international waters and will raise public awareness of these global environmental challenges. Environmental NGOs and education centres will be invited to participate in these activities. The purpose is to help the Government to follow up on its commitments and obligations to international conventions and regional projects and to regenerate and utilize natural resources to reduce poverty and generate sustainable livelihoods. UNDP intervention will result in integrated strategies for sustainable natural-resource management and biodiversity conservation in priority areas. It will also set up effective implementation mechanisms supported by stakeholder coalitions. Greater respect for one's natural surroundings, thanks to an education in environmental sensitivity can also be expected. Success will be measured by an increase in the number of environmentally friendly practices and technologies for sustainable forestry, fishery and husbandry. This will come as a result of UNDP assistance, a rise in the numbers of globally significant species and heightened conservation of landscape diversity. Success will also be measured by the number of people trained in environmental studies, the number of environmentally oriented courses integrated into school curricula and the number of state officials participating in public-awareness workshops and seminars on nature conservation.

IV. Management arrangements

Execution and implementation

29. National execution will remain the principal modality for carrying out UNDP-assisted projects. The aim is to utilize full national execution implementation and widen its application as recommended in the country review. To this end, continuous training will be provided on national execution, drawing on the experience of other country offices. Diverse advisory, technical and management services of other United Nations agencies (United Nations Office for Drug Control and Crime Prevention (UNODCCP), UNICEF, United Nations Educational, Scientific and Cultural Organization (UNESCO), UNIDO, United Nations Office for Project Services (UNOPS), ILO, United Nations High Commissioner for Refugees (UNHCR)) and NGOs will also continue to be utilized and promoted further as partners for national execution. The technical cooperation among developing countries (TCDC) modality and United Nations Volunteers (UNVs) will continue to be used and will privilege exchanges and training opportunities with countries in the Commonwealth of Independent States (CIS), Latin America, South East Asia and possibly with North Africa.

Monitoring, review and reporting

30. All projects are subject to regular UNDP monitoring and evaluation in which key government counterparts, donors and other relevant agencies (United Nations and other) will participate. Such mechanisms for evaluation would potentially be useful to the Government in formulating their own system of monitoring and evaluation. Particular attention will be given to establishing benchmarks, success criteria and evaluation of impact for UNDP assistance to draw lessons upon which to improve its work. A management review of the CCF will take place once a year to ensure flexibility. The results-orientation of programme work will be continued and strengthened to improve understanding of the linkages between the SRF, the ROAR, office work plans and individual performance plans. Support will also be given to monitor the inclusion of gender-equality considerations and their impact on overall results. All UNDP knowledge sources should include relevant gender-equality information.

Partnerships

31. UNDP will continue to work with a wide cross section of development partners (agencies within the United Nations system, Bretton Woods institutions) and will refine its partnerships with NGOs and the corporate sector, taking into account the principles set forth in "Guidelines: Cooperation between the United Nations and the Business Community", issued by the Secretary-General on 17 July 2000. UNDP will thereby mainstream information sharing, concerning its activities in Russia and worldwide, to increase its profile and transparency with all stakeholders. Attempts will also continue to be made to bring new partners to the country and to increase and improve collaboration with the World Bank and other partners, including the European Bank for Reconstruction and Development (EBRD) and the Nordic Environment Finance Corporation (NEFCO), through innovative modalities. UNDP will also pursue efforts to have national and governmental partners increase their funding of the programme to strengthen and further national ownership.

Regional and national interactions

32. The country office will continue to establish networks with the offices in the region to facilitate the exchange of information and best practices and to make them available to the Government for use in policy formulation. These networks will also encourage training and staff exchanges to acquaint them with ways in which different countries deal with challenges of common interest. Regional and possibly international interaction should be initiated by setting up online fora.

Resource mobilization

33. In view of the declining core resources available to UNDP, intensive resource mobilization of additional resources will continue. Tentative cost-sharing projections of $50 million are envisaged. The core resources will then be used to leverage other funds by establishing partnerships with the corporate sector. These additional resources will be complemented by future funding from sustainable development funds, such as GEF and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Government cost-sharing will be provided mostly through project cost-sharing and trust funds and through grants and loans from other bilateral and multilateral donors.

Annex

Resource mobilization target table for the Russian Federation (2001-2003)

Source	Amount (In thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over into 2001	(224)	Includes carry-over of TRAC 1, TRAC 2 and the earlier AOS allocations.
TRAC 1.1.1	809	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	235	
Subtotal	**820**[a]	
UNDP other resources		
Government cost-sharing	25 000	
Third party cost-sharing	25 000	
Funds, trust funds and other	16 000	GEF
Subtotal	**66 000**	
Grand total	**66 820**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.